

# PV Gas (GAS)

## Attractive valuation

December 12, 2024	Analyst Pham Minh Hieu hieupm@kbsec.com.vn (+84) 24-7303-5333
9M24 business performance is positive thanks to LPG segment	In 9M24, revenue and gross profit of PV Gas (GAS) grew 16.7% and 5.8% YoY, respectively, mainly thanks to positive in LPG consumption volume and prices, which helped to offset the 16.3% YoY decline in gas consumption from power plants. However, SG&A expenses surged 32% YoY due to provisions related to the Phu My – Ho Chi Minh City gas pipeline.
We lowered crude oil price assumptions due to the possibility of volatility in the new US presidential term	China's crude oil consumption outlook may weaken due to the risk of a trade war with the US. OPEC+ continues to maintain production cuts until the end of 1Q25, but global supply is likely to witness a strong rally resulting from the US's oil exploration incentives. In the baseline scenario, we lower our assumption of an average oil price in 2025 from USD80 to USD75/barrel.
Strong fluctuations in LNG input prices may worsen GAS's 2025 outlook	We believe that the global LNG market in 2025 will still face the risk of supply shortage as (1) consumption from Asia increases sharply; (2) supply growth fails to keep up with demand growth; and (3) the Russia–Europe gas pipeline through Ukraine is expected to be shut down by the end of 2024, forcing the region to raise LNG imports. For GAS, 2025 will be a period of accelerating LNG consumption, but we remain cautious on the outlook for this segment with concerns over volatility in LNG input costs. We assume a 2025 LNG input price for GAS at USD12/mmBTU in the base case.
Valuation: BUY rating – Target price VND82,700	We set a target price for GAS shares at VND82,700, equivalent to an upside of 20.7% compared to the closing price of VND68,500/share on December 12, 2024.



Forecast earnings & valuation

Operating income/loss (VNDbn)

Net revenue (VNDbn)

NPAT-MI (VNDbn)

EPS growth (%)

Dividend yield (%)

FY-end

EPS (VND)

P/E (x)

P/B (x)

ROE (%)

Target price	VND82,700
Upside	20.7%
Current price (Dec 12, 2024)	VND68,500
Consensus target price	VND85,300
Market cap (VNDtn/USDbn)	160.5/6.3

2022

100,724

17,799

14,794

7,647

75.6

9.1

2.2

24.6

4.5

Free float		4.2%
3M avg trading value (VNDbn/USDmn)		47.4/1.9
Foreign ownership		1.8%
Major shareholder	PetroVietnam	(PVN, 95.8%)

2024F

104,065

12,990

11,118

4,840

-3.0

14.3

2.6

18.0

4.5

2025F

106,367

13,922

11,819

5,145

6.0

13.5

2.4

17.8

4.8

2023

89,954

12,906

11,606

4.972

-35.0

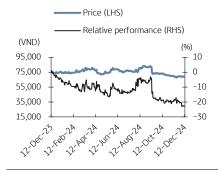
13.9

2.5

18.1

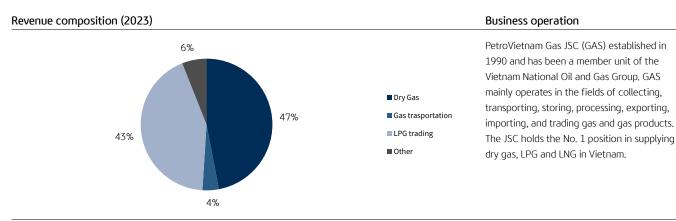
8.7

(%)	1M	3M	6M	12M
Absolute	-1.6	-16.2	-12.8	-10.4
Relative	-3.5	-17.2	-10.4	-22.9



Source: Bloomberg, KB Securities Vietnam





Source: PV Gas, KB Securities Vietnam

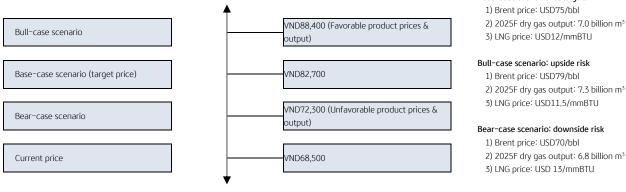
Investment Catalysts	Notes
Gas output growth in the medium term will mainly come from LNG. Imported LNG will supplement supply in 2024–2026 when domestic gas fields are on a rapid decline.	Please find more details <u>here</u>
Market price returns to attractive levels. GAS's stock price has fallen sharply to an attractive level after the negative developments in crude oil prices. The current market price is equivalent to PE 2025F at 13.3x.	Please see more details below
The outlook for crude oil prices in 2025 is less positive than in 2024. The new US presidential term may bring many risks to the balance of crude oil supply and demand.	Please see more details below

#### Revised earnings estimates

(VNDbn)	KB	SV estimates	Change vs previous estimates			Consensus*		
_	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	104,065	106,367	7%	2%	95,452	100,740	9%	6%
EBIT	12,990	13,922	-2%	4%	12,756	13,101	2%	6%
NP after MI	11,118	11,819	-3%	3%	11,546	11,651	-4%	1%

Source: Bloomberg, KB Securities Vietnam

#### Investment opinion & risks



Base-case scenario: catalysts 1) Brent price: USD75/bbl

2) 2025F dry gas output: 7.0 billion m<sup>3</sup>

3) LNG price: USD12/mmBTU

Bull-case scenario: upside risk

1) Brent price: USD79/bbl

2) 2025F dry gas output: 7.3 billion m<sup>3</sup>

3) LNG price: USD11.5/mmBTU

Bear-case scenario: downside risk

3) LNG price: USD 13/mmBTU

## 3Q24 performance updates

# 9M24 business performance is positive thanks to LPG segment

In 9M24, revenue and gross profit of PV Gas (GAS) grew 16.7% and 5.8% YoY, respectively, mainly thanks to positive in LPG consumption volume and prices, which helped to offset the 16.3% YoY decline in gas consumption from power plants. However, SG&A expenses surged 32% YoY due to provisions related to the Phu My – Ho Chi Minh City gas pipeline.

#### Table 1. GAS - 3Q24 updated results

(VNDbn, %)	3Q23	3Q24	+/-%YoY	9M23	9M24	+/-%YoY	Notes
Revenue	22,126	25,252	14,1%	67,383	78,619	16.7%	Revenue growth in 9M24 is mainly attributable to positive FO prices, LPG prices and consumption helped offset the decline in dry gas consumption. In addition, in 2024, GAS started trading in LNG.
Gross profit	3,681	4,183	13.6%	12,866	13,610	5.8%	
Gross profit margin	16.6%	16.6%		19.1%	17.3%		
Financial income	594	409	-31.1%	1,728	1,317	-23.8%	
Financial expenses	278	109	-60.8%	448	519	15.8%	
Profit from affiliates	9	12	33.3%	18.0	26.0	44.4%	
SG&A	998	1,317	32.0%	2,913	3,846	32.0%	GAS made provisions for NT1 & NT2 thermal power plants.
Operating income/loss	3,008	3,178	5.7%	11,251	10,588	-5.9%	
Other income	1	25	2400.0%	24	26	8.3%	
Profit before taxes (PBT)	3,009	3,203	6.4%	11,275	10,614	-5.9%	
Profit after taxes (NPAT)	2,404	2,578	7.2%	9,017	8,538	-5.3%	
NPAT after MI	2,377	2,522	6.1%	8,883	8,355	-5.9%	
NPAT margin	10.7%	10.0%		13.2%	10.6%		
Dry gas consumption (million tons)	1,537	1,354	-11.9%	5,527	4,943	-10.6%	
By power plants	1,012	815	-19.5%	3,961	3,314	-16.3%	Low gas and electricity mobilization results from the Ministry of Industry and Trade prioritizing other power sources in 2024.
By fertilizer plants	271	269	-0.7%	824	878	6.6%	
By industrial parks	289	270	-6.6%	776	752	-3.1%	
LPG consumption (thousand tons)	770	814	5.7%	1,860	2,314	24.4%	
Brent price (USD/barrel)	86	78	-9.3%	84	82	-2.0%	
FO price (USD/ton)	502	478	-4.8%	451	474	5.0%	
LPG price (USD/ton)	470	618	31.4%	564	610	8.0%	

Source: PV Gas, KB Securities Vietnam



### We lowered crude oil price assumptions as new US presidential term may create more volatility

Strong volatility in LNG input prices could still hurt GAS's 2025 outlook The outlook for global crude oil consumption in the first half of 2025 depends on the Chinese economy. However, the country's recovery potential remains unclear as although the government has taken strong measures to implement easing policies, the risk of a trade war between the US and China during President Trump's new term still prevails. On the supply side, OPEC+ clearly shows its policy of supporting oil prices by continuing to maintain the production cut policy until the end of 1Q25. However, it is likely that global supply will skyrocket due to President Trump's policy of encouraging exploration. The IEA forecasts that crude oil demand in 2025 will increase by 1 million barrels/day while supply from the non-OPEC+ region alone will rise 1.5 million barrels/day. In our base case, we lower our 2025 average oil price assumption from USD80 to USD75/barrel, and the current 2025 downside scenario is USD70/barrel.

The average 9M24 Japanese LNG price (a gauge of Asian LNG prices) is USD11.2/mmBTU, steeply falling 19.8% YoY. For 2025, we believe that the global LNG market will still face the risk of supply shortage when (1) consumption from Asia increases sharply; (2) supply growth does not keep up with demand growth; and (3) the Russia–Europe gas pipeline through Ukraine is expected to be shut down by the end of 2024, causing Europe to lack about 15 billion m<sup>3</sup>/year of natural gas, forcing the region to increase LNG imports. The IEA forecasts that global LNG demand in 2025 could grow by an additional 100 billion m<sup>3</sup>/year while supply increases by only about 30 billion m<sup>3</sup>/year. However, the US government's policy of promoting LNG exports could be a positive factor contributing to stabilizing the LNG market in the long term. For GAS, 2025 will be a period of acceleration in LNG consumption output. However, we maintain a cautious view on the LNG outlook, given concerns over volatility in LNG input costs. We currently assume a 2025 LNG feedstock price for GAS of USD12/mmBTU in the base case and USD12.5/mmBTU in the downside case.

#### Fig 2. Global – Brent & FO prices (USD/barrel, USD/ton)

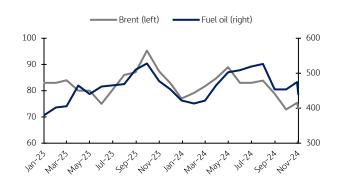
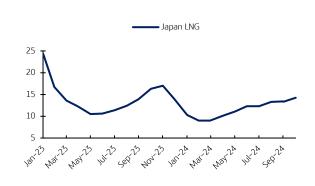


Fig 3. Japanese – LNG price (USD/mmBTU)



Source: Bloomberg, KB Securities Vietnam

## Forecast & valuation

#### Table 4. GAS - 2024-2025F results

(VNDbn, %)	2023	2024F	+/-%YoY	2025F	+/-%YoY	Assumptions
Revenue	89,954	104,065	15.7%	106,367	2.2%	Revenue growth in 2025 mostly depends on the recovery in consumption output while output prices are under pressure from the assumption of declining crude oil prices.
Gross profit	16,925	18,040	6.6%	18,783	4.1%	
Gross profit margin	18.8%	17.3%		17.7%		
Financial income	2,273	1,769	-22.2%	1,808	2.2%	
Financial expenses	587	651	10.9%	732	12.4%	
Profit from affiliates	27	27	1.1%	27	0.0%	
SG&A	4,019	5,050	25.7%	4,861	-3.7%	The 2024 forecast is affected by the provision related to NT1 & NT2 thermal power plants. However, there is a possibility of a reversal in the future.
Operating income/loss	14,619	14,135	-3.3%	15,025	6.3%	
Other income	-13	0	-100.0%	0	N/A	
Profit before taxes (PBT)	14,640	14,135	-3.4%	15,025	6.3%	
Profit after taxes (NPAT)	11,793	11,308	-4.1%	12,020	6.3%	
NPAT after MI	11,606	11,118	-4.2%	11,819	6.3%	
NPAT margin	12.9%	10.7%		11.1%		
Dry gas consumption (million tons)	7,300	6,469	-11.4%	6,849	5.9%	
By power plants	5,189	4,334	-16.5%	4,863	12.2%	In 2024, the Ministry of Industry and Trade will raise the Qc ratio for coal power and renewable energy. The consumption output should improve from 2025, driven by LNG segment.
By fertilizer plants	1,132	1,145	1.2%	1,096	-4.3%	
By industrial parks	980	990	1.0%	1,005	1.6%	
LPG consumption (thousand tons)	2,450	2,916	19.0%	2,916	0.0%	
Brent price (USD/barrel)	83	80	-3.6%	75	-6.3%	
FO price (USD/ton)	442	471	6.6%	448	-4.8%	
LPG price (USD/ton)	577	611	5.9%	587	-3.8%	

Source: PV Gas, KB Securities Vietnam



### Valuation: BUY rating – Target price VND82,700

We use a combination of the FCFF method and P/E comparison to give GAS a price target of VND82,700, equivalent to an upside of 20.7% compared to the closing price of VND68,500/share on December 12, 2024. The target P/E of 16.3x is chosen based on the median P/E of GAS over the past five years. We upgrade our rating for GAS to BUY mainly because the stock price (after adjusting for dividends) has decreased by 10.3% compared to the time of the most recent report and is at an attractive level.

#### Table 5. GAS - FCFF valuation

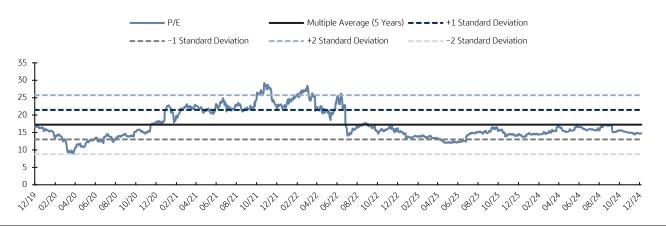
Risk-free rate	4.7%	Present value of terminal value (VNDbn)	124,674
Equity risk premium	7.6%	Total present value for the period 2024-2028	33,538
Beta	0.69	Total present value	158,212
Average interest rate	7.5%	Plus: Cash & Short-term investments	37,953
Taxes	20.0%	Minus: Net Debt	-5,820
Weighted cost of capital	9.1%	Minus: Minority interest	-1,440
Terminal growth rate	1.5%	Equity value	188,905
		Number of shares outstanding (million shares)	2,297.00
		Equity value/share (VND)	82,200

Source: Bloomberg, KB Securities Vietnam

#### Table 6. GAS - Final valuation

Valuation method	Forecast price	Weighting	Price per weight
FCFF	82,200	70%	57,540
P/E (16.3x)	83,864	30%	25,159
Target price (rounded)			82,700
Current price (August 29, 2024)			68,500
Upside			20.7%
Dividend yield	82,200	70%	57,540
Total return	83,864	30%	25,159
Source: Bloomberg, KB Securities Vietnam			

#### Fig 7. GAS - P/E in 2020-2024 (x)



Source: Bloomberg, KB Securities Vietnam

#### GAS - 2022A-2025F financials

Income Statement (VND billion)	2022A	2023A	2024F	2025F
Net sales	100,724	89,954	109,644	111,944
Cost of sales	-79,409	-73,029	-91,129	-92,255
Gross Profit	21,314	16,925	18,515	19,689
Financial income	1,568	2,273	1,864	1,903
Financial expenses	-671	-587	-669	-892
of which: interest expenses Gain/(loss) from joint ventures (from 2015)	-337 28	-340 27	-340 27	-556 27
Selling expenses	-2,440	-2,544	-3,101	-3,166
General and admin expenses	-1,075	-1,475	-2,198	-1,944
Operating profit/(loss)	17,799	12,906	13,216	14,579
Other incomes	112	20	0	0
Other expenses	34	-34	0	0
Net other income/(expenses)	78	-13	0 2	0
Income from investments in other entities Net accounting profit/(loss) before tax	0 18,802	1 14,640	14,438	3 15,617
Corporate income tax expenses	-3,740	-2,812	-2,888	-3,123
Net profit/(loss) after tax	15,062	11,793	11,550	12,494
Minority interests	268	187	194	209
Attributable to parent company	14,794	11,606	11,356	12,285
Margin ratio				
-	2022A	2023A	2024F	2025F
Gross profit margin	21.2%	18.8%	16.9%	17.6%
EBITDA margin	20.8%	17.7%	14.9%	16.3%
EBIT margin Pre-tax profit margin	17.7% 18.7%	14.4% 16.3%	12.1% 13.2%	13.0% 14.0%
Operating profit margin	18.7%	14.3%	13.2%	14.0%
Net profit margin	15.0%	13.1%	10.5%	11.2%
Cash Flow Statement (VND billion)	2022A	20224	2024F	20255
Net profit/(loss) before tax	18,802	2023A 14,640	14,438	2025F 15,617
Depreciation and amortization	3,104	3,051	3,156	3,650
Profit/loss from investing activities	-992	-1,857	0	0
Interest expense	325	340	340	556
Operating profit/(loss) before changes in Working Capital	21,239	16,174	17,934	19,823
(Increase)/decrease in receivables	782	-625	-1,159	-378
(Increase)/decrease in inventories	-878	109	450	-44
Increase/(decrease) in payables	-3,902	932	-529	138
(Increase)/decrease in prepaid expenses Net cash inflows/(outflows) from operating activities	-290	598	0	0
Purchases of fixed assets and other long	12,440	13,226	13,468	15,860
term assets Proceeds from disposal of fixed assets	-2,006 1	-1,769 1	-3,016 0	-10,516 0
Loans granted, purchases of debt instruments	-40,613	-50,199	-50,199	-50,199
Collection of loans, proceeds from sales of debts instruments	41,432	39,155	50,198	49,463
Investments in other entities	-40	0	0	45,405
Proceeds from divestment in other entities	-60	0	0	0
Dividends and interest received	1,330	2,165	0	0
Net cash inflows/(outflows) from investing activities	43	-10,647	-3,017	-11,252
Proceeds from issue of shares	159	0	0	0
Payments for share returns and repurchases	0	0	0	0
Proceeds from borrowings	1,325	2,076	7,052	14,544
Repayment of borrowings	-3,371	-2,419	-4,381	-7,602
Finance lease principal payments	0	0	0	0
Dividends paid	-5,882	-7,122	-13,782	-7,392
Interests, dividends, profits received Net cash inflows/(outflows) from financing	0	0	0	0
activities	-7,769	-7,466	-11,111	-450
Net increase in cash and cash equivalents Cash and cash equivalents at the beginning of poriod	4,715	-4,887	-660	4,158
of period Cash and cash equivalents at the end of	5,833	10,549	5,669	5,009
period	10,550	5,669	5,009	9,167

Balance Sheet 2022A (VND billion) 2023A 2024F 2025F CURRENT ASSETS 82,806 87,755 87,665 99,847 Cash and cash equivalents 55,652 62,218 62,268 67,584 Short-term investments 10,549 5,669 5,009 9,167 Accounts receivable 23,726 35,085 35,086 35,822 18,402 Inventories 16,191 16,865 18,024 LONG-TERM ASSETS 4,102 3,945 3,495 3,539 Long-term trade receivables 27.155 25.537 25.397 32.263 Fixed assets 169 318 318 318 19.393 26.260 Investment properties 16,370 19.532 Long-term incomplete assets 6,121 1,781 1,781 1,781 Long-term investments 36 32 31 30 TOTAL ASSETS 0 0 0 0 LIABILITIES 21,489 22,456 24,598 31,678 Current liabilities 12,488 14,972 18,684 23,314 Trade accounts payable 6,652 7,138 6,609 6,747 Advances from customers 128 119 119 119 Short-term unrealized revenue 45 1.605 5.846 10.338 Short-term borrowings 9,001 7,484 5,914 8,364 Long-term liabilities 0 0 0 0 0 Long-term trade payables 0 0 0 Long-term advances from customers 22 22 22 20 5,151 4,271 2,701 Unrealized revenue 6,038 61,317 65,299 63,067 68,169 Long-term borrowings OWNER'S EQUITY 19,140 22,967 22,967 22,967 Paid-in capital 0 0 0 0 16,880 19,347 Share premium 19,243 14,454 Undistributed earnings 21,476 24,202 24,202 24,202 Minority interests 1,458 1,250 1,444 1,653

#### Key ratios

Multiple				
P/E	9.0	13.8	13.9	12.8
P/E diluted	9.0	13.8	13.9	12.8
P/B	2.2	2.4	2.5	2.3
P/S	1.3	1.8	1.4	1.4
P/Tangible Book	2.2	2.4	2.5	2.3
P/Cash Flow	10.5	11.9	11.7	9.9
EV/EBITDA	6.1	10.0	9.9	9.1
EV/EBIT	7.2	12.3	12.3	11.3
Operating performance				
ROE	24.6%	18.1%	18.3%	18.3%
ROA	18.2%	13.4%	13.2%	12.5%
ROIC	29.8%	18.8%	18.9%	18.8%
NOIC	23.870	10.070	10.970	10.070
Financial structure				
Cash Ratio	2.7	2.7	2.2	1.9
Quick Ratio	4.0	3.9	3.1	2.7
Current Ratio	4.5	4.2	3.3	2.9
LT Debt/Equity	0.1	0.1	0.0	0.1
LT Debt/Total Assets	0.1	0.0	0.0	0.1
Debt/Equity	0.0	0.0	0.1	0.2
Debt/Total Assets	0.0	0.0	0.1	0.1
ST Liabilities/Equity	0.2	0.2	0.3	0.3
ST Liabilities/Total Assets	0.2	0.2	0.2	0.2
Total Liabilities/Equity	0.4	0.3	0.4	0.5
Total Liabilities/Total Assets	0.3	0.3	0.3	0.3
Activity ratios				
Account Receivable Turnover	6.1	5.4	6.3	6.2
Inventory Turnover	21.6	18.2	26.1	26.1
Account Payable Turnover	15.2	13.1	16.0	16.8



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#### Investment ratings & definitions

#### Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)			
Buy:	Neutral:	Sell:	
+15% or more	+15% to -15%	-15% or more	

#### Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)		
Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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